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One of the greatest pleasures I have in Washington is coming back to my home state of Georgia and being among my friends and neighbors once again.

I feel especially at home among the members and officers of the Georgia Farm Bureau Federation, having been both for many years. The advice and counsel of the officers of this organization, and in particular, my friend Emmett Reynolds, has been a great help to me since I have been in Washington.

And all of us at the Department of Agriculture also value most highly the leadership and the advice of our great United States Senator, Herman Talmadge, your chairman of the Senate Agriculture Committee.

I don't mind telling you that the criticism and scrutiny that all of you give our programs sometimes feel a little less welcome, but it still is of great importance in helping us meet the needs of the American farmer with the greatest efficiency, effectiveness and dispatch.

I have been in Washington nearly 20 months now, and I am daily learning new things about our government and the political, social, and economic environments in which it must operate.

I think it is fair to say that all three of these basic forces are in an hourly state of change. Consequently, the job of making farm policy is made unbelievably complex by the whirlpool of domestic and international events that can so dramatically change the economic and political landscape almost overnight.

For those of us involved in farm policy, the atmosphere in which we live is particularly vexing because we recognize that the American farm community and the individual farmer need, more than any other single factor, a better standard of stability.

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Remarks prepared for delivery by P. R. "Bobby" Smith, Assistant Secretary for Marketing Services, at the Annual State Convention of the Georgia Farm Bureau Federation, Jekyll Island, Georgia, December 4, 1978.

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The American farmer needs stability of income at a level that will allow him and his family to live at a standard equal to that which those in our industrial and white-collar economies have come to depend upon.

I will be the first to recognize that the efforts of this administration have not satisfied, by any means, the immediate demands of all American farmers.

Nor can I honestly predict that in the months ahead we will be instituting new policies that will. But President Carter has pledged to the American farmer the best efforts of his administration to build farm programs that will provide the basis for prosperity and stability, without robbing the American farmer of the right to make his own decisions as an independent businessman.

Those who call for complete and unequivocal government support of the American farmer should realize that for every dollar's worth of support the family farmer receives from the federal government, he yields up a dollar's worth of control over his own affairs.

This tradeoff is direct and immediate. It will always be the price the American farmer will have to pay for government involvement in agriculture. This is a fixed and unalterable fact of economic and political life, simply because the representatives in Congress feel obligated to set the terms of government assistance to farmers in minute detail and see this as the price farmers must be willing to pay to get this kind of help. Rightly or wrongly, that's the way it is.

Having been a farmer myself for many years, I have often agonized over this dilemma in trying to determine what kind of policies I should push for in the groups to which I belonged.

Under the previous administration, we had a series of programs and policy decisions that contradict what I have outlined to you this morning.

We had heavy government involvement in agriculture and the farmer received virtually nothing in return in terms of support or stability.

Under the so-called "free market" system in recent years, we saw price support programs dismantled and export initiatives undercut by secret deals. We saw the prosperity of the American farm community gutted by a kind of reckless interventionism in the affairs of the American farmer, the consequences of which are still being felt today.

We have, however, begun the long climb back from the days before Jimmy Carter and Bob Bergland took office in January of 1977.

At no point during the President's long campaign in 1976, or since, has Jimmy Carter ever promised to guarantee the American farmer a profit. But we have promised, and are doing our very best to deliver on his commitment, to give the American farmer a fighting chance.

I think we have seen enough of the results of our programs to be able to make some judgments, not on the basis of expectations nor on the basis of what happened before to commodity prices, but rather to determine on the basis of price to the farmer what kind of impact our programs have had.

The Georgia tobacco farmer knows that the price that he received for his tobacco this year was exceptional, and we look for this to continue.

The Georgia peanut farmer who has just completed his harvest knows that prices under the new program remained strong, and we expect this to continue.

The feed grain farmer knows that because of the farmer-owned grain reserve program, the set-aside program and our export initiatives, the seasonal downward adjustment in prices simply has not occurred even in light of this record harvest.

And now we come to the livestock producer.



This administration has taken actions that have caused great concern among some of the livestock community. The President has been blamed, because he made a modest adjustment in import quotas, for a serious downturn in the price of beef cattle. Of all the administration's actions, I think this requires the most complete review.

In the absence of specific wage and price controls--tools which this administration simply will not resort to using--the federal government has virtually nothing to say about the price a farmer receives for cattle or the price a consumer pays for meat in the supermarket.

To blame the very short downturn in the price of beef cattle on the President's action simply misleads the facts. Before his action, the price of beef had been declining for nine straight days, and what market analysts refer to as a "technical adjustment" in the market was overdue.

The President's action did not change the fundamental economic facts of the world beef situation at all. Beef cattle were, are, and will be for several years to come, in short supply throughout the world. The President's decision to allow importing less than one additional pound of beef per person into this country just doesn't make a whole lot of difference.

He had the authority to take this action and he used it knowing full well that the long-term impact on the beef farmer would be negligible. The alternatives were to do nothing or to postpone the action. Given the circumstances, I believe the President did the right thing at the right time.

I am sure you know on the eleventh of November the President vetoed a change in the meat import act which would have deprived this and future administrations of a major anti-inflation tool. While he favored the bill's countercyclical formula for determining the level of meat imports, we made it very clear during Congressional deliberations that we would not accept a bill limiting the President's discretionary authority to expand meat imports or limit meat imports to less than 1.3 billion pounds a year. The bill did not meet either of these requirements. At a time when American cattle herds are still being thinned, and at a time when it is clear that the American farmer can't meet the demands of our own domestic market for beef, this kind of limitation would obviously be unwise.

In other areas, I believe we have established a record in agriculture that speaks well for itself.

In the area of farm disaster and emergency assistance we have put a confused and contradictory set of policies in order, and we are able to better meet the needs of farmers who face catastrophic losses due to weather. We hope next year, with new legislation, to reform our crop insurance system even further.

In market development, in animal disease control, in grain inspection, through the encouragement of expansion in on-farm storage, and in a host of other areas we have sought new advances in service with maximum efficiency.

What this administration will not do, and what the Congress of the United States will not legislate, is a farm program that fundamentally changes the nature of our economic system of free enterprise, individual initiative, private investment and personal risk.



President Carter and Secretary Bergland have instituted programs that are the product of very careful study of the hard economic facts and represent the application of many new ideas and imagination. And, at a time when the number one problem this nation faces is inflation, don't for a minute think that the set-aside program and new export initiatives didn't take a great deal of courage to institute.

For every farm family in this country concerned about staying in business one more year, concerned about interest and mortgage payments, concerned about the costs of machinery, seed and chemicals, there are nearly 30 families concerned about the cost of food.

Washington is thick with economists, consumer and industry spokesmen, and all kinds of other people arguing that set-aside programs and grain reserve programs and any kind of price support programs you might mention are inflationary and therefore ought to be abandoned.

But despite this intense pressure, the programs that we have established will continue.

On the eleventh of November the Department of Agriculture announced, with the President's personal approval, a feed grain program for 1979 that is essentially the same as the one for this year.

The most recent crop reports show that our country, as well as the rest of the world, will have the greatest levels of feed grain production and the largest total supply in history. Yet we have been nearly overwhelmed by people arguing against the continuation of the feed grain program. But the program will continue.



Next year, producers who participate will be offered a target price of \$2.20 a bushel, up 10 cents from this year, if they set aside 10 percent of their land. In addition, these farmers will be eligible for a payment of 10 cents a bushel for diverting an additional 10 percent of their acreage. This diversion payment is down 10 cents from 1978, yet the total support level to farmers is the same as 1978's program. We believe this program is a carefully balanced one, fair to producers, to consumers and to increasingly sensitive taxpayers.

I would like to shift my attention now away from farm policy in particular and talk about a problem and a challenge which we now face that will probably have more to do with how the American farmer lives in the years ahead than any farm program imaginable.

I am referring to the problem of inflation and the steps this administration is taking to get it under control and wring it out of the system.

The program the President has proposed is not a "WIN" campaign with unrealistic or outlandish promises of curing the problem in the short term.

Nor is it a rigid institution of wage and price controls.

Rather, it is an honest balance, reasonable, do-able program.

We all know inflation is not new. For the past ten years we have lived with an annual rate of inflation that has not fallen below 6.5 percent overall. We are not the only country that has experienced dramatic inflation in recent years.

Take Argentina, where I visited three weeks ago. There the annual rate of inflation is now greater than 120 percent. In October alone, the cost of living in Argentina increased nearly 10 percent--more in one month than the United States usually has in a single year.

Historically, we can point to a number of readily identifiable causes of the beginning of this inflationary spiral.

The first and most tragic was the war in Vietnam which was financed and paid for without raising taxes, putting pressure on an economy already booming because of a war far in excess of our economy's ability to deal with inflationary pressure.

Early in this decade, new pressure was added by the quadrupling of oil prices, and the worldwide crop shortages that produced both the boom in grain prices to farmers in this country and the disastrous embargoes imposed on the export of that grain by a frightened and shortsighted administration.

We can add to this list the loss in productivity which we find so hard to explain, the burden of excessive government regulation, and the most difficult inflationary pressure of all--the fundamental belief on the part of most Americans that we are locked into inflation and we have to learn to live with it.

Despite inflationary pressure that has been repeatedly heightened by increasing fuel costs, we have reached a point in our economic history where not only can this spell be broken, but in order to maintain the kind of economic, political and social system that two centuries of free Americans have fought to build, this inflationary spell must be broken.

I think the American people have matured in their understanding of the problem of inflation to a point where everybody is sick and tired of it, and willing to recognize that it will take a certain amount of sacrifice, a certain amount of restraint on the part of every individual to bring this problem under control.

The President has proposed a voluntary program with certain incentives--and, I must admit--certain penalties designed to make cooperation easier. In his message on inflation several weeks ago the President likened the effort to combat inflation to a football game where everybody is standing up. Everybody knows that everyone could see better if they were all sitting down--but who will be the first?



The President also gave the answer: The government will. Without clear and decisive action on the part of the federal government, no businessman, no labor leader, no consumer, and no wage earner can be expected as an individual to take the first step towards ending the painful momentum of wages chasing prices, chasing wages, and on and on.

The President has taken the first step by:

--Adopting a stringent budget policy that will create an overall climate in which the inflationary process can unwind;

--Establishing procedures that minimize the inflationary impact of government regulations;

--Indicating his intention to veto legislative measures and other actions of government that provide benefits to narrow special-interest groups;

--Enunciating explicit numerical standards for non-inflationary wage and price increases; and,

--Making clear his intention to use his administrative powers to support adherence to those standards in individual situations.

The President has established as a standard for wages the guideline of 7 percent as that which his administration will be working towards. Annual increases in wages and fringe benefit payments should not exceed this standard. This standard is achievable and consistent with protecting the real incomes of workers.

When the Congress returns in January, the President will be sending them a program of real wage insurance designed to deal with the very legitimate fear of those who cooperate with the program that their sacrifice will not be shared by other. Workers who comply with the standard will be eligible for a tax credit should the rate of inflation threaten the maintenance of their real income because they complied with the President's standard.

I would like to comment a little further on the question of the federal budget.

As you know, the President has fought very hard for significant progress towards his goal of a balanced budget by fiscal year 1981.

The federal government is not the only contributor to inflation and budget deficits are not the only cause.

I have seen too many economists and too many unlearned critics walking around with the smug notion that it is all the fault of the federal government; that somehow we can purify ourselves by putting it all on the backs of the Congress, or the President, or the bureaucracy.

But I think we all must recognize that the government is a part of you and me. Perhaps it is not the part you are most proud of, but it is a part of you, nevertheless. Everything this government does is done because somebody wants it done. To do less and spend less is going to mean that somebody or everybody in this country is going to get less from their government.

In this fight against inflation, however, every step along the way to success is going to mean pain to somebody. But the cure for inflation holds out potential benefits far in excess of the sufferings or sacrifice any individual will be called upon to make in this effort.

Finally, the President's program has set realistic goals and established reasonable and moderate means for achieving them.

I am sure you are all aware that there is no shortage of critics for the President's voluntary program. Almost the instant his program was announced, we were beset by judgments from experts and laymen, politicians and labor spokesmen, all casting doubt on the chances of the President's program for success.

But I would like to ask the critics of the President's program, and what I would like to ask you very simply, is what alternative do you propose? We have learned a few things over the past ten years, and we are not about to consciously repeat the mistakes of the last decade. The alternatives are limited to two extreme and proven unsuccessful remedies.



On the one hand we have some calling for wage and price controls.

This administration is not contemplating wage and price controls.

We do not have authority to impose wage and price controls.

And we are not contemplating asking the Congress for authority to impose wage and price controls.

Controls will not produce justice.

Controls are not a solution. I have told everybody who has mentioned it to stop thinking about it. All that the controls instituted under the Nixon Administration produced was a recession that gave us the unique situation where unemployment and inflation both mushroomed.

On the other hand we have the traditional remedy for inflationary pressure and that is a long-term recession. Throughout modern history this has been the means by which inflationary pressure has been squeezed out of our economy.

It is politically and socially foolish to think that either of these two extreme alternatives are in any way, shape or form a reasonable answer.

They are economically and socially bad. They won't work because you can't stick with either one.

This is a long-term problem that requires a steady, long-term solution. No administration, no matter what party and no matter who might be President, can adhere to a conscious policy of recession for very long. Nor can a program of controls be effective for more than a few months. The President's proposal represents the kind of long-term, realistic yet effective, kind of program that will eventually begin to scale down inflation with increasing success.

I have been asked many times what will we do if the program fails. My answer in all honesty is that it can't fail. It may sound cliché-ish to say this, but inflation is a problem that involves all of us. It is not really a question of any politician or administration or even of the President succeeding.

Rather it is a question of whether as a country we can succeed in breaking out of this inflationary spell. Where else can we go and what else can we do but stay here in America and suffer the consequences.

America is ready to follow the lead President Carter has taken. America is ready to make the very moderate sacrifices he has called upon Americans to make. We farmers--who suffer from inflation more than any other sector of the economy--ought to be the first to recognize the benefits of an inflation-free society.

The President has shown that he has not been afraid to take decisive and courageous action.

He has shown his willingness to veto bills that contribute less to the well-being of our economy and society than the taxpayers are spending for them.

He has not been afraid to take decisive action to strengthen the dollar.

I am asking this morning--on behalf of the President--that you join him in this very sincere and very serious effort to put stability and prosperity back on a steady course.

Thank you very much.











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